WHITBREAD

Interim results | FY19
23 October 2018

Good financial performance and on-plan for full-year results

- Sale of Costa to The Coca-Cola Company for £3.9 billion approved by shareholders
- UK network increased to over 74,000 rooms, with a committed pipeline of over 13,000 rooms
- Strong pipeline in Germany with around 6,000 rooms to be delivered by 2021
- Solid financial performance supported by tight cost control, maintaining strong return on capital
- On-plan to deliver full-year results from continuing operations

Financial highlights

	H1 FY19	H1 FY18	*Change*
Revenue	£1,079m	£1,052m	*2.6%*
Underlying operating profit†	£286m	£277m	*2.9%*
Underlying profit before tax†	£270m	£263m	*2.5%*
Statutory operating profit	£277m	£277m	*0.1%*
Statutory profit before tax	£257m	£257m	*0.2%*
Profit from discontinued operations*	£47m	£45m	*3.5%*
Underlying basic EPS† from continuing operations	118.2p	115.4p	*2.4%*
Statutory basic earnings per share	137.2p	137.7p	*(0.4)%*
Dividend per share	32.7p	31.4p	4.0%
Discretionary free cash flow†	£283m	£293m	
Cash generated from operations	£455m	£441m	
Capital expenditure	£268m	£269m	
Return on capital† from continuing operations	12.4%	12.6%	(20)*bps*
Return on capital	14.9%	15.4%	*(50)bps*

*Profit from discontinued operations is statutory profit after tax from the Costa business, which was classified as held for sale at 30 August 2018.

- Revenue increased 2.6% to £1,079 million, reflecting continued capacity addition
- Total UK accommodation sales growth of 4.8% and like-for-like accommodation sales growth of 0.2% impacted by weaker consumer demand
- Underlying profit before tax increased in-line with sales by 2.5% to £270 million, supported by tight cost control and the benefit of the ongoing efficiency programme
- Costa is now reported as a discontinued operation, statutory profit for the period increased 3.5% to £47 million
- Strong cash generation with discretionary free cash flow at £283 million
- Strong balance sheet with net debt of £881 million and committed debt facilities of £1.8 billion
- Statutory profit before tax was maintained at £257 million
- Return on capital held broadly flat at 12.4% despite pace and timing of new capacity

Alison Brittain, Whitbread Chief Executive Officer, commented:

“The highlight of the first half was the announcement of our agreement for the sale of Costa to The Coca-Cola Company for £3.9 billion, which received the overwhelming approval of our shareholders in October. We intend to return a significant majority of the net cash proceeds to shareholders, although the exact amount, timing and method will be determined following discussions with stakeholders, including our shareholders, pension fund and debt providers. The sale of Costa now requires Coca-Cola to obtain regulatory approval in the EU and China. Much work still remains to be done to ensure a smooth and successful separation from Whitbread at completion and during the following transitional service period, which we are confident in our ability to execute efficiently.

Following the sale of Costa, Whitbread will be a focused hotel business with operations in the UK, Germany and the Middle East. In the first half of the year, Premier Inn delivered total UK accommodation sales growth of 4.8%. Although we have seen some weakness in consumer demand over the summer, we have made further encouraging progress with our efficiency programme, ensuring we remain on track with our plans for the current year.

We have grown the UK network to over 74,000 rooms, with a further 13,000 rooms in our pipeline and we have potential to further extend our growth runway in the UK to 100,000 rooms and beyond. Alongside this material addition of new capacity, we have maintained our leading occupancy rate increased the rate of customers booking with us directly and delivered a strong return on capital. In terms of innovation, we have recently announced the trial of a new format in the UK, "Zip by Premier Inn", which will open in the first quarter of 2019. In Germany, our pipeline is now close to 6,000 rooms, equivalent to 30% of our total pipeline for Premier Inn.

We are now looking forward to dedicating our focus to the significant structural growth opportunities available to Premier Inn in the UK and internationally. We will be holding an investor day in February to give an update on our ambitious plans to access these attractive opportunities. We will provide further detail on how we will enhance our investment in our unique, integrated operating model, which will enable us to maintain our market-leading position and access attractive growth opportunities. We will also discuss the optimal capital structure and property strategy to support our growth plans. Ongoing disciplined execution of our plan will continue to deliver sustainable shareholder value through growth in earning and a strong return on capital."

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Footnotes and definitions are contained immediately prior to the financial statements.

For photographs and video please visit Whitbread's media library at www.whitbread.co.uk/media.

A presentation for investors and analysts will be at 9.30am on 23 October 2018 at Deutsche Bank, 1 Great Winchester Street, London, EC2N 2DB. A webcast of the presentation will be available through www.whitbread.co.uk/investors.

Strategic update | A focused, fully integrated hotel business

Sale of Costa to The Coca-Cola Company for £3.9 billion

On 31 August 2018, Whitbread announced it had entered into an agreement for the sale of Costa Limited ("Costa"), one of the world's leading coffee brands, to The Coca-Cola Company ("Coca-Cola"), for an enterprise value of £3.9 billion (the "Transaction"). The Transaction is a Class 1 transaction for Whitbread under the Listing Rules and was therefore conditional upon the approval of shareholders. A General Meeting of shareholders was held on 10 October 2018 and the resolution to approve the Transaction was successfully passed with 99.3% in favour.

The Transaction is now conditional on Coca-Cola obtaining two anti-trust regulatory approvals in the EU and China. These anti-trust clearances and completion of the Transaction are expected to occur in the first half of 2019, at which time Whitbread will receive the proceeds of £3.8 billion net of tax, other transaction costs and separation costs, estimated to be approximately £100 million.

The Whitbread Board intends to return a significant majority of the net cash proceeds to shareholders, unless more value creating opportunities arise and subject to prevailing market conditions. Net cash proceeds will also be used to reduce the Group's borrowings and the Group's pension fund deficit. A reduction in the Group's indebtedness will provide headroom for further expansion of Premier Inn in the UK and internationally. Discussions with pension trustees and other relevant stakeholders are being conducted and an update on the amount and method to return proceeds will be provided in due course.

Whitbread focusing as the operator of Premier Inn in the UK and internationally

Following completion of the Transaction, Whitbread will be a focused hotel business with over 76,000 rooms in over 800 hotels in the UK, Germany and the Middle East, operating under the Premier Inn brand, with a committed pipeline of almost 20,000 rooms. Whitbread will also retain its 49% investment in Pure, a London-based healthy-eating quick service restaurant business with 15 stores.

Whitbread's strategic priorities will remain consistent with its existing strategy of:

1. continuing to innovate and grow Premier Inn in the core UK business;
2. focusing on Premier Inn's strengths to grow at scale internationally; and
3. enhancing the capabilities of Whitbread to support long-term growth.

Investor day planned for February 2019

Whitbread will hold a strategic update for institutional investors and equity research analysts in February 2019. It is expected that this investor day will focus on three core areas:

1. the structural opportunities Whitbread has to grow Premier Inn in the UK and internationally, through organic network expansion and acquisition, at a strong return on capital;
2. how Whitbread utilises, enhances and further invests in the unique Premier Inn model to access the structural opportunities; and
3. the capabilities, capital structure and property strategy required to enable Whitbread to take advantage of the attractive structural opportunities available.

1. Innovate and grow Premier Inn in the core UK market

- Total revenue growth of 2.6% to £1.1 billion driven by consistently strong capacity addition
- Profit from operations increased to £303 million through disciplined cost action
- Continued market-leading occupancy throughout the UK whilst adding significant new capacity
- Industry-leading direct distribution rate of 97%

Premier Inn UK estate metrics

	H1 FY19	H1 FY18	*Change*
# hotels	795	771	*3.1%*
# rooms	74,070	70,120	*5.6%*
Direct booking	97%	95%	*200bps*
Occupancy	80.1%	81.8%	*(170)bps*
Average room rate†	£66.16	£65.40	*1.2%*
Revenue per available room†	£52.97	£53.46	*(0.9)%*
Total accommodation sales growth	4.8%	8.5%	
Like-for-like† accommodation sales growth*	0.2%	4.0%	
Like-for-like food & beverage sales growth*	(2.6)%	0.8%	
Return on capital (before corporate costs)	13.0%	13.4%	

** Like-for-like sales growth for H1 FY18 reflects refined definition*

Over the past three years Premier Inn has added more than 14,000 new rooms in the UK, 2.5 times more than the combined total added by Travelodge, Holiday Inn Express and Ibis[2]. Alongside this material addition of new capacity, Premier Inn has held occupancy at industry leading levels of around 80%, increased the proportion of customers booking directly to 97% and held return on capital at around 13%.

Premier Inn's UK committed pipeline of new freehold and leasehold hotels currently stands at over 13,000 rooms. Combined with the current estate of over 74,000 rooms, Premier Inn has more than 87,000 rooms in the open and committed pipeline, with line of sight to 100,000 rooms. Premier Inn's network planning and property expertise have been paramount in delivering high quality new capacity at good returns. The skills and data available to Premier Inn enable the ongoing delivery of new capacity in attractive locations, without diluting return on capital once the hotel matures. Of the committed new room pipeline:

- 37% will be opened in catchments with no existing Premier Inn supply;
- 26% will be opened in catchments with limited Premier Inn supply; and
- 37% will be opened in catchments with higher Premier Inn supply but also higher demand such as London and city centres.

An innovative new format is being launched, "Zip by Premier Inn". Zip is a significantly different offer to the traditional Premier Inn and Hub formats and will attract a different customer segment. The essence of Zip is good quality, small, very simple rooms targeting a large segment of the market, which is currently underserved; the extra-value seeking customer. Importantly, these target customers do not currently stay at Premier Inn and are dissatisfied with their current options. By reducing the room size to 8.5m^2 and carefully engineering the design and fittings, return on capital is expected to be comparable to the rest of the network, whilst offering highly compelling prices. The first Zip hotel is planned to be opened in Cardiff in the first quarter of 2019.

Premier Inn delivered good total accommodation sales growth of 4.8%, driven by additional capacity, whilst maintaining market leading occupancy of around 80%. The business to business market continued to be robust, but there was weaker consumer demand, especially in the regions where total accommodation sales increased 4.3%. In London, although the midscale and economy market[3] RevPAR declined year on year, Premier Inn's total accommodation sales growth was strong at 7.2% following the 4,405 rooms that we have added over the last three years. Alongside significant network capacity growth, the disciplined approach to capital investments was maintained, resulting in return on capital remaining stable at around 13%.

A consistent and high-quality experience is vital to the overall Premier Inn customer offer. Many of Premier Inn's customers visit multiple hotels every year and value a consistent experience across the network of 795 hotels. Therefore, the ongoing refurbishment of rooms is critical to ensure consistency. Premier Inn now has 91% of its 74,070 rooms in the latest formats. Over the last 18 months, a lower-cost refurbishment model has been developed, which will enable Premier Inn to accelerate the rate of refurbishments in the future to maintain its leading customer proposition.

Core to Premier Inn's success has been its investment in digital capabilities. This began with re-platforming Premier Inn's core trading website, introducing a yield management system, investing in enhanced digital marketing capabilities and introducing a business-focused booking tool. As a result, the number of visits to Premier Inn's website has been maintained at around seven million visits per month. This contributed to the proportion of customers booking directly with Premier Inn remaining at an industry-leading level of 97% of total bookings.

2. Focus on Premier Inn's strengths to grow internationally

Premier Inn Germany | *Expanding pipeline of new capacity to create a strong hotel network*

The German hotel market is 35% larger than the UK and similar to the UK ten years ago and it is experiencing a structural shift from independent hotels to branded hotels. The branded budget hotel sector is the fastest beneficiary of this shift, but still only represents a 6% market share, compared to 24% in the UK. With only moderate growth expected from other brands, Premier Inn's strong quality and value credentials provide a long-term opportunity to establish a major hotel brand and develop a successful business of scale in this attractive market.

Given the scale and attractive nature of the opportunity in Germany, Whitbread accelerated the development of an organic new hotel pipeline and announced a significant acquisition of a portfolio of hotels. Together, the organic pipeline and acquisition will deliver 33 hotels, comprising 6,043 rooms across 15 key cities, by 2021.

This acquisition represents an important step in accelerating Whitbread's existing international strategy and in replicating Premier Inn UK's success and network scale in this key strategic market. Whitbread will continue to explore options to further accelerate growth in Germany, through a mix of freehold property developments, leasehold sites and acquisitions of small to medium existing hotel portfolios.

The transaction and consideration are conditional upon obtaining consent from landlords to rebrand the hotels and upon the termination of the franchise agreements with the current franchisor. This could take up to 18 months for the 13 trading hotels. The hotels being acquired will continue trading under their current brand, in advance of being converted to Premier Inn. The acquisition is expected to deliver returns in excess of Whitbread's cost of capital and be earnings enhancing the year after completion.

The pipeline of new capacity in Germany is now a mix of hotels to be acquired and the accelerated organic pipeline of new leasehold and freehold sites.

Premier Inn Germany network	Organic	To be acquired	Total
Open and trading	1 hotel *(210 rooms)*	13 hotels *(2,140 rooms)*	**14 hotels *(2,350 rooms)***
Committed pipeline	13 hotels *(2,723 rooms)*	6 hotels *(970 rooms)*	**19 hotels *(3,693 rooms)***
Total	**14 hotels *(2,933 rooms)***	**19 hotels *(3,110 rooms)***	**33 hotels *(6,043 rooms)***

Premier Inn Middle East

Premier Inn in the Middle East continues to operate in tough market conditions, which reflect the level of new capacity being added in advance of the World Expo to be held in Dubai in 2020. Premier Inn has a productive partnership with Emirates, with a hotel opened last year in Doha, comprising 219 rooms, and plans for one further 389-room hotel in Dubai.

3. Enhancing Whitbread's capabilities to support long-term growth

Whitbread is focused on securing the cost efficiencies needed to offset structural cost pressures in the hotel and coffee markets. Whitbread's property expertise underpins the consistent quality and competitive advantage enjoyed by Premier Inn, whilst Whitbread's technology skills have undergone a step-change as work is conducted to replace legacy systems and become an increasingly technologically-enabled and efficient business.

Winning teams

Owning and operating the UK's leading hotel operation enables superior attraction and retention of talented people. Following the sale of Costa to The Coca-Cola Company, Whitbread will continue to provide services to Costa under a transitional services agreement lasting 9-24 months, which will require Whitbread to retain certain central functions such as HR, IT, procurement and supply chain. Work has already begun to ensure Whitbread's teams reflect the support required by Premier Inn's operations in the UK and Germany.

Everyday efficiency

In 2016 Whitbread began a five-year programme to generate £150 million of efficiency savings and mitigate inflationary cost pressures. This programme has already delivered £141 million of savings from a combination of procurement benefits and shared services. During the first half of the year, £29 million of savings for continuing operations were achieved through structural reorganisation, hotel operations efficiency, procurement and supply chain savings and process re-engineering. Whitbread aims to generate a total of approximately £50 million of savings for FY19 for continuing operations, with a similar amount targeted for FY20, which will again help offset the significant inflation expected next year. Further detail on the ongoing opportunities available to Whitbread following the sale of Costa will be discussed at the planned Capital Markets Day.

Improving technology capabilities

Over the last three years, Whitbread has undergone a significant investment programme to improve the core infrastructure, internal support systems and customer facing systems in Premier Inn. This year includes enhancing our website technology, enabling an improvement in the customer booking journey and to being more agile in adapting our website to changing customer demands.

Further essential work still needs to be done to ensure a smooth separation of Costa from Whitbread, whilst retaining focus on the complex process of replacing legacy customer reservation and inventory management systems in Premier Inn and integrating the new hotels in Germany onto our platform in 2020.

A Force for Good

Whitbread's sustainability programme, Force for Good, was launched in 2017 with an ambitious vision to give back to the communities in which Whitbread operates, by supporting everyone, from guests to team members and suppliers, to live and work well.

Since launching the WISE (Whitbread Investing in Skills and Employment) programme in 2012, Whitbread has created over 10,000 employment opportunities, including more than 3,000 full time apprenticeships and 4,000 work experience placements.

Premier Inn has been supporting Great Ormond Street Hospital for several years. Team members have embraced the partnership with enthusiasm and have raised over £12 million. This has facilitated opening a new 'Premier Inn Clinical Building' this year, consisting of 140 beds and six operating theatres which has welcomed thousands of patients since opening in January 2018.

Premier Inn has pledged to raise a further £10 million towards the building of a ground-breaking new sight and sound centre, which will provide a world class facility for children with sight and hearing problems.

Whitbread has led an alliance of out-of-home dining companies to launch a Code of Practice with a target to cut sugar by 20 per cent by 2020. The code is aligned to Public Health England guidance and pledges to reformulate recipes, provide a range of healthier options and run responsible promotions.

A partnership between Premier Inn and Cotton Connect was launched with 1,600 cotton farmers last year. The farmers and their families are benefitting from an enterprise which aims to transform the cotton industry for good by teaching them to farm more sustainably, reducing the impact on the environment and generate higher yields of cotton. On average, the farmers involved increased cotton yields and profits by 10% and 26% respectively, whilst reducing their chemical and water use.

Premier Inn is the largest hospitality company in Europe to set a science-based carbon reduction target. This target will see the business reduce its carbon emissions intensity by 50% by 2025. This builds on all hotels owned by Whitbread being powered by 100% renewable energy, and over 160 hotels have electricity generating solar panels.

The latest Dow Jones Sustainability Index (DJSI) has ranked Whitbread PLC as second in the European Travel & Leisure industry. This excellent result highlights the fantastic work that is taking place across the Force for Good programme and demonstrates Whitbread's commitment to continuously improve the work underway to become a more sustainable business.

Full Year 2019 Outlook

Whitbread has significant structural growth opportunities in the UK and internationally with confidence in its plans. Investment will continue in order to maintain Premier Inn's competitive advantages and to capitalise on these structural opportunities. In FY19, Premier Inn is expected to open 4,000-4,500 rooms in the UK and Germany, including two hotels comprising 379 rooms in Germany.

Given the recent economic and political environment, along with inflationary pressures in the consumer sector, there is a degree of caution on demand. The combination of our commitment to the investment programme and the current UK consumer environment naturally means our near-term profit growth may be lower than in previous years. However, Whitbread is confident that the ongoing efficiency programme can continue to offset a significant proportion of inflation over the short to medium term.

Ongoing disciplined allocation of capital and focus on executing Whitbread's plans will continue to win market share from the declining independent hotel sector in the UK and Germany, which will deliver sustainable growth in earnings and dividends and a strong return on capital over the long-term.

Financial review

Whitbread | Solid financial performance

- Revenue increased 2.6% to £1,079 million, reflecting continued capacity addition
- Total UK accommodation sales growth of 4.8% and like-for-like accommodation sales growth of 0.2% impacted by weaker consumer demand
- Underlying profit before tax increased in-line with sales by 2.5% to £270 million, supported by tight cost control and the benefit of the ongoing efficiency programme
- Profit from discontinued operations (Costa) increased 3.5% to £47 million
- Statutory profit before tax was maintained at £257 million
- Strong cash generation with discretionary free cash flow at £283 million
- Return on capital held broadly flat at 12.4% despite pace and timing of new capacity

Profit growth | Good sales growth and disciplined cost control underpins profit growth

	H1 FY19	H1 FY18	*Change*
Revenue	**£1,079m**	**£1,052m**	*2.6%*
Profit from operations	£303m	£295m	*2.6%*
Central costs	(£17)m	(£18)m	*2.8%*
Underlying operating profit	**£286m**	**£277m**	***2.9%***
Underlying net finance costs†	(£16)m	(£14)m	*(11.0)%*
Underlying profit before tax	**£270m**	**£263m**	***2.5%***
Non-underlying items	(£13)m	(£6)m	n.m.
Profit before tax	**£257m**	**£257m**	***0.2%***
Tax	(£53)m	(£52)m	*(2.5)%*
Profit for the period from continuing operations	**£204m**	**£205m**	**(0.3)%**
Profit for the period from discontinued operations*	£47m	£45m	*3.5%*
Profit for the period	**£251m**	**£250m**	***0.4%***

**Statutory profit for the period from Costa*

Profit from discontinued operations

On 31 August 2018, Whitbread announced that it had entered into an agreement to sell Costa to The Coca-Cola Company, subject to shareholder approval and certain regulatory approvals. As a result, at the balance sheet date Costa was held for sale and is accounted for as a discontinued operation in H1 FY19. The profit from the discontinued operations increased by 3.5% to £47 million. During the first half of the year in a tough UK retail environment, Costa increased revenue and statutory profits, alongside further investment in expanding the store estate in the UK and China, and further expansion of the Costa Express business.

Continuing operations performance | Market share gains at attractive return on capital

- Total Premier Inn revenue increased 2.6% to £1,079 million
- UK accommodation total sales growth of 4.8%, outperforming the midscale and economy market[3]
- Operating margins remained constant, delivering profit from operations of £303 million
- Return on capital of 13.0%, alongside 5.8% increase in room capacity

Premier Inn financial highlights

	H1 FY19	H1 FY18	*Change*
Revenue	£1,079m	£1,052m	*2.6%*
Profit from operations	£303m	£295m	*2.6%*
Return on capital	13.0%	13.4%	*(40)bps*
Other UK metrics			
Accommodation total sales growth	4.8%	8.5%	
F&B total sales growth	(0.8)%	2.8%	
Total UK sales growth	2.8%	6.4%	
Accommodation like-for-like sales growth	0.2%	4.0%	
F&B like-for-like sales growth	(2.6)%	0.8%	
Q2 accommodation like-for-like sales growth	0.7%	3.0%	
Q2 F&B like-for-like sales growth	(3.3)%	1.0%	

During the first half of the year, Premier Inn increased revenue by 2.6% to £1,079 million. Profit from operations grew in-line with revenue to £303 million (H1 FY18: £295 million). This result was enabled by the ongoing efficiency programme, which delivered a benefit to underlying operating margins of 280 basis points. These efficiency savings, combined with the benefit of sales growth, ensured inflationary pressures, together with additional rent, impacting underlying operating margins by 260 basis points, were offset.

Premier Inn has delivered consistently high occupancy of around 80% in the UK over the past few years. Given the opportunity to win market share from the fragmented independent hotel market, Premier Inn has continued to focus on adding capacity to maximise total accommodation sales growth. This has been achieved whilst delivering both consistent operating margins and delivering an attractive return on capital of around 13%.

Premier Inn's focus on total accommodation sales growth has consistently delivered market share gains over the last decade, which continued during the first half of the year. In London, Premier Inn grew total accommodation sales by 6.3% in the first quarter and 8.0% in the second quarter, significantly outperforming the midscale and economy hotel market[3]. Outside of London, Premier Inn increased total accommodation sales by 3.8% in the first quarter and 4.7% in the second quarter, again outperforming the midscale and economy hotel market [3], but by a lesser degree. This was supported by robust demand for business travel, offset by weaker consumer leisure travel demand.

Premier Inn UK total accommodation sales growth comparison

	Q2 FY19	Q1 FY19	*Change*
London			
Premier Inn	8.0%	6.3%	*170bps*
Midscale and economy hotel market[3]	5.8%	0.9%	*490bps*
London Premier Inn outperformance	**220bps**	**540bps**	***(320)bps***
Regions			
Premier Inn	4.7%	3.8%	*90bps*
Midscale and economy hotel market[3]	4.1%	3.5%	*60bps*
Regions Premier Inn outperformance	**60bps**	**30bps**	***30bps***
Total UK			
Premier Inn	5.3%	4.3%	*100bps*
Midscale and economy hotel market[3]	4.7%	3.1%	*160bos*
Total UK Premier Inn outperformance	**60bps**	**120bps**	***(60)bps***

Like-for-like sales growth from Premier Inn's multi-format food and beverage offering decreased during the first half of the year by 2.6% (H1 FY18: 0.8%). This was due to weaker consumer demand, together with the sporting events and warmer than expected summer months, which favoured competitor formats with greater availability of outdoor capacity and stronger drink-led offering.

Over the last year, Whitbread completed the restructuring of its international Premier Inn operations. This included the sale and exit of hotel operations in India, Thailand, Singapore and Indonesia. This successful exit reduced underlying operating losses to £(1) million (H1 FY18: £(2) million). The Premier Inn business in the Middle East is operated through a joint-venture with Emirates and accounted for accordingly. Continuing planned investment in Germany will result in a loss of c.£6 million in Germany this year.

Net finance costs

Underlying net finance costs for the first half of the year were £2 million higher than last year at £16 million (H1 FY18: £14 million). Total net finance costs were £20 million (H1 FY18: £20 million) including the non-underlying IAS19 pension finance charge of £3 million (H1 FY18: £5 million).

Taxation

Underlying tax[†] for the first half of the year increased by £1 million to £53 million, with an effective tax rate 19.8% (H1 FY18: 19.9%). Statutory tax expense increased £1 million to £53 million.

Earnings per share

	H1 FY19	H1 FY18	*Change*
Statutory basic EPS	137.2p	137.7p	*(0.4)%*
Statutory diluted EPS	136.4p	137.3p	*(0.6)%*
Underlying basic EPS from continuing operations	118.2p	115.4p	*2.4%*
Underlying basic EPS	142.5p	143.7p	*(0.9)%*
Underlying diluted EPS	141.7p	143.3p	*(1.1)%*

Full details are set out in Note 6 to the accompanying financial statements.

Dividend

The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle. An interim dividend of 32.7 pence per share (H1 FY18: 31.4p), an increase on last year of 4.0%, amounting to £60 million, was declared by the Board on 22 October 2018. Full details are set out in Note 7 to the financial statements. The dividend will be paid on 14 December 2018 to all shareholders on the register at the close of business on 9 November 2018. Shareholders will again be offered the option to participate in a dividend re-investment plan.

Cash generation | Consistent & strong to fund investments

	H1 FY19	H1 FY18
Underlying operating profit*	**£344m**	**£342m**
Depreciation and amortisation	£118m	£113m
Other non-cash items	£10m	£13m
Change in working capital	£(17)m	£(27)m
Cash generated from operations	**£455m**	**£441m**
Maintenance capital expenditure	£(118)m	£(90)m
Interest	£(10)m	£(8)m
Tax	£(44)m	£(50)m
Discretionary free cash flow	**£283m**	**£293m**
Pensions	£(46)m	£(48)m
Dividends	£(128)m	£(120)m
Expansionary capital expenditure (inc. Costa)	£(150)m	£(179)m
Proceeds from sale & leaseback transactions	£0m	£41m
Proceeds from disposal of business and PPE	£6m	£45m
Other	£(13)m	£6m
Net cash flow	**£(48)m**	**£38m**
Opening net debt†	£833m	£890m
Closing net debt	**£881m**	**£852m**

**Underlying operating profit from continuing and discontinued operations*

Cash generation remained strong in the year with cash generated from operations increasing to £455 million (H1 FY18: £441 million) whilst converting 82% of profit from operating activities into discretionary free cash totalling £283 million. This discretionary free cash flow was used to fund Whitbread's pension contributions of £46 million, dividend payments of £128 million and expansionary capital expenditure of £150 million.

Capital investment | Compelling opportunities to invest at a strong return on capital

	H1 FY19	H1 FY18	*Last 2 years*
Maintenance and product improvement	£95m	£72m	£270m
New / extended UK hotels	£87m	£122m	£469m
Premier Inn Germany & International	£30m	£20m	£100m
Discontinued operations	£56m	£55m	£264m
Total	**£268m**	**£269m**	**£1,103m**

Cash capital and investment expenditure during the first half of the year was £268 million (H1 FY18: £269 million).

Investments in new and extended hotels mature over a 1-3 year period and deliver return on capital above 13%. Maintenance capital expenditure in Premier Inn is essential to ensure consistent, high quality rooms across the estate which is a key driver of repeat direct business. In the last two years,

£469 million has been invested in expanding the UK network with a further £100 million invested in the organic pipeline in Germany and International. Capital expenditure for Premier Inn Germany does not reflect any amounts for the recently announced agreement to acquire a portfolio of hotels, which will be paid on completion of the transaction, which is expected to be in February 2020.

The pace of investment in new Costa stores and Costa Express machines continued, with capital expenditure in discontinued operations in-line with last year at £56 million.

Capital discipline | Asset-backed balance sheet provides flexibility

	H1 FY19	FY18	H1 FY18
Net debt	£881m	£833m	£852m
Pension (net of tax)	£158m	£264m	£335m
Capitalised leases†	£2,316m	£2,227m	£2,128m
Adjusted net debt	**£3,355m**	**£3,324m**	**£3,315m**
Freehold / leasehold mix	63:37%	64:36%	64:36%
Adjusted net debt : EBITDAR†	2.9x	2.9x	3.0x
Net debt : EBITDA†	1.0x	1.0x	1.0x
Fixed charge cover†	2.8x	2.9x	3.0x

In recent years, Whitbread has held its ratio of lease-adjusted net debt to EBITDAR at round 3.0, below a maximum target of 3.5. This level ensures that Whitbread retains its strong financial position and has access to a broad source of funds at attractive rates, in order to take advantage of freehold property and acquisition opportunities as they arise, such as the recently agreed acquisition in Germany. This level of leverage also ensures that Whitbread retains a strong covenant for further leasehold expansion in the UK and Germany. Whitbread is currently reviewing the optimal capital structure required to support development of Premier Inn in the UK and Germany, following the expected sale of Costa to The Coca-Cola Company. Further detail will be provided at Whitbread's Capital Markets Day to be held in February 2019.

Sufficient headroom in debt funding facilities is also in place to finance short and medium-term requirements, with total committed facilities of approximately £1.8 billion, compared to net debt as at 30 August 2018 of £881 million. Committed debt facilities include US Private Placement loans of £432 million (at the hedged rate), a £450 million bond and a syndicated bank revolving credit facility ("RCF") of £950 million which has been extended to September 2022.

Pension

As at 30 August 2018 there was an IAS19 pension deficit of £162 million. The reduction in deficit over the half year of £127 million was primarily due to deficit contributions of £46 million, a change in financial assumptions of £44 million and return on plan assets greater than the discount rate of £43 million.

Following the triennial review undertaken at 31 March 2017, a recovery schedule of cash contributions totalling £397 million was agreed. The payment schedule is £85 million per annum for FY19 to FY22, with a final contribution of £57 million in FY23. Until the next valuation, to the extent that ordinary dividends increase by more than 5% per year, contributions will be accelerated at a rate in line with dividend growth, less 5%. Additional contributions to the pension fund of c.£10 million per year will continue to be made through the Scottish Partnership arrangements.

Return on capital | Consistently earning a strong premium to cost of capital

	H1 FY19	H1 FY18	*Change*
Premier Inn	13.0%	13.4%	*(40)bps*
Continuing Whitbread business	12.4%	12.6%	*(20)bps*
Whitbread	14.9%	15.4%	*(50)bps*
Impact on the Group of capital invested for future openings	(120)bps	(130)bps	*10bps*

There is currently £326 million of capital invested for future openings. This has an impact on Whitbread's reported return on capital of (120)bps.

Other information

Going concern
A combination of the strong operating cash flows generated by the business and the significant headroom on its credit facilities supports the Directors' view that the Group has sufficient funds available for it to meet its foreseeable working capital requirements. The Directors have concluded that the going concern basis remains appropriate.

Risks and uncertainties
The directors have reconsidered the principal risks and uncertainties of the Group and these remain largely unchanged from those reported on pages 54 and 55 of the Annual Report and Accounts 2017/8 and include: Cyber and Data Security; Innovation and brand strength; Change; Economic Climate; Retention and wage inflation; Pandemic/Terrorism; Food safety and hygiene; health and safety and Third party arrangements. The risk of a wider macro-economic effect as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is addressed by the Group's Economic Climate risk. The Change risk referenced the potential impact of the proposed demerger of Costa and these risks continue to be equally applicable to the sale of Costa to Coca-Cola. A full description of the risks relating to the sale are set out in Part 2 of the proposed sale circular. Going forward any potential areas of risk will continue to be closely monitored and evaluated.

Supplementary information
Further information is available in Microsoft Excel from: www.whitbread.co.uk/investors/results-reports-and-presentations. This information includes:

- Premier Inn network data;
- Premier Inn sales, profit and return on capital information;
- Comparison of Premier Inn UK sales performance to market trends;
- Group income statement; and
- Lease commitments.

American Depositary Receipts
Whitbread has established a sponsored Level I American Depositary Receipt (ADR) programme for which Deutsche Bank perform the role of depositary bank. The Level I ADR programme trades on the U.S. over-the-counter (OTC) markets under the symbol WTBDY (it is not listed on a U.S. stock exchange).

Rounding

Certain financial data contained in this document have been rounded and accordingly may not add up to 100 per cent. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Where applicable, year-on-year growth percentages have been calculated from the financial data presented in the half year accounts, which are reported to one decimal place.

Notes

†The performance of the Group is monitored internally using a variety of statutory and alternative performance measures (APMs). APMs are not defined within IFRS and are used to assess the underlying operational performance of the Group and as such these measures should be considered alongside IFRS measures. APMs used in this announcement include like-for-like sales, underlying operating profit, underlying profit, underlying basic earnings per share, net debt, return on capital, fixed charge cover, and discretionary free cash flow. For full definitions please refer to the glossary at the end of the document.

1 Unless otherwise stated, “Premier Inn” includes Premier Inn UK, Premier Inn Germany, Premier Inn International and food & beverage revenue. This was previously referred to as Premier Inn & Restaurants.

2 Company websites as at 28 February 2018

3 Source: STR Global

Responsibility statement
We confirm that to the best of our knowledge:

a) The condensed set of financial statements, which has been prepared in accordance with IAS 34, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;
b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR) 4.2.7R - indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year; and
c) The interim management report includes a fair review of the information required by DTR 4.2.8R - disclosure of related party transactions and changes therein.

By order of the Board

Alison Brittain	Nicholas Cadbury
Chief Executive	Finance Director

Interim consolidated income statement

	Notes	**(Reviewed) 6 months to 30 August 2018 £m**	(Reviewed) 6 months to 31 August 2017 (restated[1]) £m	(Audited) Year to 1 March 2018 (restated[1]) £m
Revenue	2	**1,078.9**	1,051.7	2,007.4
Operating costs		**(801.4)**	(775.4)	(1,542.0)
Operating profit before joint ventures and associate		**277.5**	276.3	465.4
Share of (loss) / profit from joint ventures		**(0.6)**	0.2	1.8
Operating profit		**276.9**	276.5	467.2
Finance cost	4	**(19.9)**	(19.8)	(41.2)
Finance revenue	4	**0.4**	0.1	0.5
Profit before tax		**257.4**	256.8	426.5
Analysed as:				
Underlying profit before tax		**269.6**	263.1	432.6
Non-underlying items	3	**(12.2)**	(6.3)	(6.1)
Profit before tax		**257.4**	256.8	426.5
Tax expense		**(53.3)**	(52.0)	(83.0)
Analysed as:				
Underlying tax expense		**(53.4)**	(52.3)	(84.2)
Non-underlying tax credit	3	**0.1**	0.3	1.2
Tax expense		**(53.3)**	(52.0)	(83.0)
Profit for the period from continuing operations		**204.1**	204.8	343.5
Discontinued operations				
Profit for the period from discontinued operations	5	**47.0**	45.4	92.9
Profit for the period		**251.1**	250.2	436.4
Attributable to:				
Parent shareholders		**251.1**	251.6	438.0
Non-controlling interest		**-**	(1.4)	(1.6)
		251.1	250.2	436.4

1 Prior period income statement has been restated to reflect the impact of treating Costa as a discontinued operation. Refer to Note 5 for details.

Earnings per share (Note 6)	**(Reviewed) 6 months to 30 August 2018 pence**	(Reviewed) 6 months to 31 August 2017 pence	(Audited) Year to 1 March 2018 Pence
From continuing operations			
Earnings per share			
Basic	**111.53**	112.10	188.01
Diluted	**110.86**	111.73	187.50
Underlying earnings per share			
Basic	**118.15**	115.39	190.69
Diluted	**117.44**	115.00	190.17
From continuing and discontinued operations			
Earnings per share			
Basic	**137.21**	137.71	239.74
Diluted	**136.39**	137.26	239.08
Underlying earnings per share			
Basic	**142.51**	143.74	260.16
Diluted	**141.66**	143.26	259.44

Interim consolidated statement of comprehensive income

	Notes	**(Reviewed) 6 months to 30 August 2018 £m**	(Reviewed) 6 months to 31 August 2017 £m	(Audited) Year to 1 March 2018 £m
Profit for the period		**251.1**	250.2	436.4
Items that will not be reclassified to the income statement:				
Re-measurement gain on defined benefit pension scheme	10	**86.5**	9.2	48.9
Current tax on pensions		**8.5**	8.9	17.2
Deferred tax on pensions		**(25.0)**	(9.7)	(25.8)
Deferred tax: change in rate of corporation tax on pensions		**-**	(0.9)	-
		70.0	7.5	40.3
Items that may be reclassified subsequently to the income statement:				
Net gain on cash flow hedges		**3.3**	2.2	2.4
Current tax on cash flow hedges		**-**	(0.2)	0.4
Deferred tax on cash flow hedges		**(0.6)**	(0.2)	(0.8)
		2.7	1.8	2.0
Exchange differences on translation of foreign operations		**5.4**	8.4	0.6
Other comprehensive income for the period, net of tax		**78.1**	17.7	42.9
Total comprehensive income for the period, net of tax		**329.2**	267.9	479.3
Attributable to:				
Parent shareholders		**329.2**	269.3	480.9
Non-controlling interest		**-**	(1.4)	(1.6)
		329.2	267.9	479.3

Interim consolidated statement of changes in equity

6 months to 30 August 2018 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 March 2018	150.4	73.2	12.3	4,594.7	29.0	(2,057.1)	**2,802.5**	-	**2,802.5**
Profit for the period	-	-	-	251.1	-	-	**251.1**	-	**251.1**
Other comprehensive income	-	-	-	69.4	5.4	3.3	**78.1**	-	**78.1**
Total comprehensive income	**-**	**-**	**-**	**320.5**	**5.4**	**3.3**	**329.2**	**-**	**329.2**
Ordinary shares issued	0.1	3.0	-	-	-	-	**3.1**	-	**3.1**
Loss on ESOT shares issued	-	-	-	(3.0)	-	3.0	**-**	-	**-**
Accrued share-based payments	-	-	-	8.2	-	-	**8.2**	-	**8.2**
Equity dividends	-	-	-	(127.6)	-	-	**(127.6)**	-	**(127.6)**
At 30 August 2018	**150.5**	**76.2**	**12.3**	**4,792.8**	**34.4**	**(2,050.8)**	**3,015.4**	**-**	**3,015.4**

6 months to 31 August 2017 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 2 March 2017	150.2	68.0	12.3	4,330.9	28.4	(2,061.5)	2,528.3	(3.5)	2,524.8
Profit for the period	-	-	-	251.6	-	-	251.6	(1.4)	250.2
Other comprehensive income	-	-	-	7.1	8.4	2.2	17.7	-	17.7
Total comprehensive income	-	-	-	258.7	8.4	2.2	269.3	(1.4)	267.9
Ordinary shares issued	-	1.4	-	-	-	-	1.4	-	1.4
Loss on ESOT shares issued	-	-	-	(1.7)	-	1.7	-	-	-
Accrued share-based payments	-	-	-	7.9	-	-	7.9	-	7.9
Equity dividends	-	-	-	(120.3)	-	-	(120.3)	-	(120.3)
At 31 August 2017	150.2	69.4	12.3	4,475.5	36.8	(2,057.6)	2,686.6	(4.9)	2,681.7

Year to 1 March 2018 (Audited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 2 March 2017	150.2	68.0	12.3	4,330.9	28.4	(2,061.5)	2,528.3	(3.5)	2,524.8
Profit for the year	-	-	-	438.0	-	-	438.0	(1.6)	436.4
Other comprehensive income	-	-	-	39.9	0.6	2.4	42.9	-	42.9
Total comprehensive income	-	-	-	477.9	0.6	2.4	480.9	(1.6)	479.3
Ordinary shares issued	0.2	5.2	-	-	-	-	5.4	-	5.4
Loss on ESOT shares issued	-	-	-	(2.0)	-	2.0	-	-	-
Accrued share-based payments	-	-	-	4.3	-	-	4.3	-	4.3
Tax on share-based payments	-	-	-	1.4	-	-	1.4	-	1.4
Tax rate change on historical revaluation	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Acquisition of non-controlling interest	-	-	-	(40.1)	-	-	(40.1)	5.1	(35.0)
Equity dividends	-	-	-	(177.6)	-	-	(177.6)	-	(177.6)
At 1 March 2018	150.4	73.2	12.3	4,594.7	29.0	(2,057.1)	2,802.5	-	2,802.5

Interim consolidated balance sheet

	Notes	(Reviewed) 30 August 2018 £m	(Reviewed) 31 August 2017 £m	(Audited) 1 March 2018 £m
ASSETS				
Non-current assets				
Intangible assets		**213.1**	282.2	300.7
Property, plant and equipment		**3,954.3**	4,040.0	4,176.0
Investment in joint ventures		**54.1**	51.7	50.4
Derivative financial instruments	9	**16.2**	35.9	9.2
Trade and other receivables		**-**	6.4	5.8
		4,237.7	4,416.2	4,542.1
Current assets				
Inventories		**17.0**	52.0	48.8
Derivative financial instruments	9	**18.0**	3.3	12.5
Trade and other receivables		**100.9**	221.0	191.1
Cash and cash equivalents	8	**-**	129.7	90.6
		135.9	406.0	343.0
Assets of the disposal group and non-current assets held for sale	5	**654.1**	5.1	7.3
Total assets		**5,027.7**	4,827.3	4,892.4
LIABILITIES				
Current liabilities				
Borrowings	8	**89.5**	18.3	108.9
Provisions		**15.6**	38.9	26.7
Derivative financial instruments	9	**2.2**	2.6	2.6
Current tax liabilities		**9.9**	53.6	44.8
Trade and other payables		**488.6**	579.3	668.2
		605.8	692.7	851.2
Non-current liabilities				
Borrowings	8	**871.8**	963.8	814.5
Provisions		**11.7**	10.7	21.4
Derivative financial instruments	9	**4.4**	7.4	5.3
Deferred tax liabilities		**116.6**	72.6	82.4
Pension liability	10	**161.5**	374.5	288.6
Trade and other payables		**24.4**	23.9	26.5
		1,190.4	1,452.9	1,238.7
Liabilities of disposal group held for sale	5	**216.1**	-	-
Total liabilities		**2,012.3**	2,145.6	2,089.9
Net assets		**3,015.4**	2,681.7	2,802.5
EQUITY				
Share capital		**150.5**	150.2	150.4
Share premium		**76.2**	69.4	73.2
Capital redemption reserve		**12.3**	12.3	12.3
Retained earnings		**4,792.8**	4,475.5	4,594.7
Currency translation reserve		**34.4**	36.8	29.0
Other reserves		**(2,050.8)**	(2,057.6)	(2,057.1)
Equity attributable to equity holders of the parent		**3,015.4**	2,686.6	2,802.5
Non-controlling interest		**-**	(4.9)	-
Total equity		**3,015.4**	2,681.7	2,802.5

Interim consolidated cash flow statement

	Notes	**(Reviewed) 6 months to 30 August 2018 £m**	(Reviewed) 6 months to 31 August 2017 £m	(Audited) Year to 1 March 2018 £m
Profit for the period		**251.1**	250.2	436.4
Adjustments for:				
Tax expense		**65.9**	65.8	112.0
Net finance cost		**20.1**	20.0	41.4
Share of loss / (profit) from joint ventures		**0.7**	(0.8)	(2.0)
Non-underlying operating costs		**6.5**	6.4	32.3
Cash outflow from non-underlying operating costs		**(1.9)**	-	(1.7)
Underlying depreciation and amortisation		**117.9**	112.8	229.9
Share-based payments		**8.2**	7.9	4.3
Other non-cash items		**2.5**	5.9	12.9
Cash generated from operations before working capital changes		**471.0**	468.2	865.5
Decrease/(increase) in inventories		**1.2**	(3.7)	(0.6)
Increase in trade and other receivables		**(15.6)**	(33.3)	(50.6)
(Decrease)/increase in trade and other payables		**(2.1)**	9.9	62.8
Cash generated from operations		**454.5**	441.1	877.1
Payments against provisions		**(5.2)**	(14.1)	(22.5)
Pension payments	10	**(45.7)**	(48.1)	(100.8)
Interest paid		**(10.1)**	(8.2)	(34.3)
Interest received		**0.4**	0.2	0.8
Corporation taxes paid		**(43.5)**	(49.7)	(99.3)
Net cash flows from operating activities		**350.4**	321.2	621.0
Cash flows from investing activities				
Purchase of property, plant and equipment		**(225.8)**	(252.0)	(467.0)
Investment in intangible assets		**(35.9)**	(16.8)	(52.8)
Proceeds from disposal of property, plant and equipment		**6.2**	41.3	74.9
Proceeds from disposal of business		**-**	44.9	56.6
Capital contributions and loans to joint ventures		**(5.8)**	-	(0.3)
Net cash flows from investing activities		**(261.3)**	(182.6)	(388.6)
Cash flows from financing activities				
Proceeds from issue of share capital		**3.1**	1.4	5.4
Decrease in short-term borrowings	8	**(10.3)**	(109.6)	(109.6)
Proceeds from long-term borrowings	8	**50.0**	200.0	200.0
Repayments of long-term borrowings	8	**-**	(43.5)	(87.0)
Renegotiation costs of long-term borrowings	8	**-**	(0.8)	(1.3)
Acquisition of non-controlling interest		**-**	-	(35.0)
Dividends paid	7	**(127.6)**	(120.3)	(177.6)
Net cash flows from financing activities		**(84.8)**	(72.8)	(205.1)
Net increase in cash and cash equivalents		**4.3**	65.8	27.3
Opening cash and cash equivalents		**90.6**	63.0	63.0
Foreign exchange differences		**(0.5)**	0.9	0.3
Closing cash and cash equivalents	8	**94.4**	129.7	90.6
Cash and cash equivalents of disposal groups held for sale	5	**94.4**	-	-
Cash and cash equivalents as reported in consolidated balance sheet		**-**	129.7	90.6

Notes to the accounts

1. Basis of accounting and preparation

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 22 October 2018.

The interim condensed consolidated financial statements are prepared in accordance with UK listing rules and with IAS 34 'Interim Financial Reporting'. The interim financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information for the year ended 1 March 2018 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. These published accounts were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and reported on by the auditor without qualification or statement under Sections 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The interim condensed consolidated financial statements for the six months ended 30 August 2018 and the comparatives to 31 August 2017 are unaudited but have been reviewed by the auditor; a copy of their review report is included at the end of this report.

A combination of the strong cash flows generated by the business, and the significant available headroom on its credit facilities, support the directors' view that the Group has sufficient funds available for it to meet its foreseeable working capital requirements. The directors have concluded therefore that the going concern basis of preparation remains appropriate.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 1 March 2018 except for the adoption of new standards and interpretations that are applicable for the year ended 28 February 2019.

IFRS 15 Revenue from Contracts with Customers
The Group adopted IFRS 15 on 2 March 2018 using the cumulative catch-up ('modified') transition method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for comparative periods has not been restated and is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

IFRS 15 provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when control of goods or services is transferred to the customer. It replaces all existing revenue recognition guidance under current IFRS.

IFRS 15 has not had a material impact on the accounting policy for recognition of revenue for any of the revenue streams of the Group. Accordingly no separate presentation of its impact on the financial statements is presented.

IFRS 9 Financial Instruments
The Group adopted IFRS 9 on 2 March 2018 prospectively. Accordingly, the information presented for comparative periods has not been restated and is presented, as previously reported, under IAS 39.

IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment of financial assets. It replaces of IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 has not had a material impact on the accounting policy for the recognition of financial assets and liabilities including derivative financial instruments. Accordingly no separate presentation of its impact on the financial statements is presented.

Discontinued operations
In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results of Costa Limited and related subsidiaries (collectively referred to as 'Costa') are presented within discontinued operations in the Group Income Statement (for which the comparatives have been restated) and the assets and liabilities of these operations are presented separately in the Group Balance Sheet. Refer to Note 5 for further details.

2. Segmental analysis

For management purposes, following the agreement to dispose of Costa (refer to Note 5) the Group is organised into a single strategic business unit, Premier Inn, which provides services in relation to accommodation and food both in the UK and internationally. As a result, comparative period segmental information has been restated.

The UK and International Premier Inn segments have been aggregated on the grounds that the international segment is immaterial.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit.

The following table presents revenue and profit information and certain asset and liability information regarding business operating segments for the six months to 30 August 2018 and 31 August 2017 and for the full year ended 1 March 2018.

	Notes	**6 months to 30 August 2018 £m**	6 months to 31 August 2017 (restated) £m	Year to 1 March 2018 (restated) £m
Revenue from external customers				
Total revenue		**1,078.9**	1,051.7	2,007.4
Profit from operations		**303.2**	295.6	498.4
Central costs		**(17.5)**	(18.0)	(35.1)
Underlying operating profit		**285.7**	277.6	463.3
Underlying net finance costs	4	**(16.1)**	(14.5)	(30.7)
Underlying profit before tax		**269.6**	263.1	432.6
Non-underlying items:	3	**(12.2)**	(6.3)	(6.1)
Profit before tax		**257.4**	256.8	426.5
Other segment information				
Share of profit from joint ventures		**(0.6)**	0.2	1.8
Investment in joint ventures		**54.1**	46.3	45.5
Total property rent		**83.7**	73.8	156.4
Capital expenditure:				
Property, plant and equipment – cash basis		**177.9**	199.5	370.4
Property, plant and equipment – accruals basis		**137.1**	160.7	381.1
Intangible assets		**26.9**	14.4	39.9
Depreciation – underlying		**(68.8)**	(66.4)	(133.2)
Amortisation – underlying		**(10.6)**	(7.6)	(17.2)

3. Non-underlying items

	6 months to 30 August 2018 £m	6 months to 31 August 2017 (restated) £m	Year to 1 March 2018 (restated) £m
Non-underlying items are as follows:			
Operating costs:			
Disposal of property, plant and equipment and property provisions (a)	**1.4**	(7.4)	0.2
PI International business exit	**-**	6.7	6.7
UK restructuring (b)	**(3.6)**	(0.4)	(1.7)
Acquisition and disposal costs (c)	**(6.6)**	-	(1.3)
Non-underlying operating costs	**(8.8)**	(1.1)	3.9
Net finance cost:			
IAS 19 pension finance cost	**(3.4)**	(5.2)	(10.0)
Non-underlying net finance cost	**(3.4)**	(5.2)	(10.0)
Non-underlying items before tax	**(12.2)**	(6.3)	(6.1)
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:			
Tax on non-underlying items	**0.1**	0.3	1.2
Non-underlying tax credit	**0.1**	0.3	1.2

(a) During the period, the Group made a net gain of £2.1m from development profit on sale and leaseback transactions and disposal of sites previously held for sale, offset by impairment losses on hotel sites transferred to assets held for sale of £0.7m.
(b) During the period the Group has undertaken a significant operational restructure, incurring costs of £3.6m in relation to staff redundancy and consultancy costs. This reorganisation will continue in the second half of the year.
(c) During the period the Group incurred costs relating to the demerger/disposal of Costa. These costs represent both transaction costs relating to the agreement to sell Costa to Coca-Cola as well as separation costs.

4. Finance (costs) / revenue

	6 months to 30 August 2018 £m	6 months to 31 August 2017 (restated) £m	Year to 1 March 2018 (restated) £m
Finance costs			
Bank loans and overdrafts	**(1.9)**	(1.9)	(3.8)
Other loans	**(16.2)**	(15.4)	(31.7)
Interest capitalised	**1.6**	2.9	4.8
Impact of ineffective portion of cash flow and fair value hedges	**-**	(0.2)	(0.5)
	(16.5)	(14.6)	(31.2)
Finance revenue			
Bank interest receivable	**0.2**	0.1	0.4
Other interest receivable	**0.1**	-	0.1
Impact of ineffective portion of cash flow and fair value hedges	**0.1**	-	-
	0.4	0.1	0.5
Underlying net finance costs	**(16.1)**	(14.5)	(30.7)
Non-underlying net finance costs			
IAS 19 pension finance cost (Note 10)	**(3.4)**	(5.2)	(10.0)
Total net finance costs	**(19.5)**	(19.7)	(40.7)
Total finance costs	**(19.9)**	(19.8)	(41.2)
Total finance revenue	**0.4**	0.1	0.5
Total net finance costs	**(19.5)**	(19.7)	(40.7)

5. Discontinued operations and non-current assets held for sale

On 31 August 2018, the Group entered into a formal sale agreement to dispose of Costa to The Coca-Cola Company. In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the assets and liabilities related to Costa have been classified as a disposal group held for sale at the period end. The Group's shareholders approved the sale on 10 October 2018 and completion is expected in the first half of calendar year 2019.

The £3.8 billion estimated fair value less costs to sell exceeds the carrying value of Costa net assets, and accordingly no impairment losses have been recognised on reclassification as a disposal group.

The tables below show the results of the discontinued operations which are included in the Group Income Statement and Group Cash Flow Statement, together with the classes of assets and liabilities comprising the operations as held for sale in the Group Balance Sheet.

	6 months to 30 August 2018 £m	6 months to 31 August 2017 £m	Year to 1 March 2018 £m
Income Statement for discontinued operations			
Revenue	**645.0**	621.7	1,291.7
Operating costs	**(584.7)**	(562.8)	(1,169.3)
Operating profit before joint ventures and associate	**60.3**	58.9	122.4
Share of (loss) / profit from joint ventures	**(0.1)**	0.6	0.2
Operating profit	**60.2**	59.5	122.6
Net finance costs	**(0.6)**	(0.3)	(0.7)
Profit before tax	**59.6**	59.2	121.9
Tax expense	**(12.6)**	(13.8)	(29.0)
Profit for the period	**47.0**	45.4	92.9
Attributable to:			
Parent shareholders	**47.0**	46.8	94.5
Non-controlling interest	**-**	(1.4)	(1.6)
	47.0	45.4	92.9

Non-underlying items included in the above results amounted to a credit of £2.3m (31 August 2017: charge of £5.3m. 1 March 2018: charge of £36.2m).

5. Discontinued operations and non-current assets held for sale continued

	(Reviewed) 30 August 2018 £m
Assets of the disposal group	
Intangible assets	**103.0**
Property, plant and equipment	**295.6**
Investment in joint ventures	**3.7**
Inventories	**30.5**
Derivative financial instruments	**0.9**
Trade and other receivables	**113.2**
Cash and cash equivalents	**94.4**
Total assets	**641.3**
Liabilities of the disposal group	
Borrowings	**13.6**
Provisions	**10.9**
Tax liabilities	**40.0**
Trade and other payables	**151.6**
Total liabilities	**216.1**
Net assets of the disposal group	**425.2**

	6 months to 30 August 2018 £m	6 months to 31 August 2017 £m	Year to 1 March 2018 £m
Cash flow from operating activities	**69.7**	64.6	202.4
Cash flow from investing activities	**(55.0)**	(55.0)	(109.1)
Cash flow from financing activities	**(10.3)**	3.1	(25.4)
Net cash flows from discontinued operations	**4.4**	12.7	67.9
Intragroup funding and transactions	**66.9**	(14.4)	(69.2)
Net cash flows from discontinued operations, net of intercompany	**71.3**	(1.7)	(1.3)

Assets of the disposal group and non-current assets held for sale

	(Reviewed) 30 August 2018 £m	(Reviewed) 31 August 2017 £m	(Audited) 1 March 2018 £m
Assets of the disposal group	641.3	-	-
Non-current assets held for sale	12.8	5.1	7.3
	654.1	5.1	7.3

6. Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit for the period attributable to parent shareholders, therefore before non-controlling interests, by the weighted average number of ordinary shares in issue during the period after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price, the options become anti-dilutive and are excluded from the calculation. The number of such options for all disclosed periods was nil.

6. Earnings per share continued

The numbers of shares used for the earnings per share calculations are as follows:

	6 months to 30 August 2018 Million	6 months to 31 August 2017 million	Year to 1 March 2018 million
Basic weighted average number of ordinary shares	**183.0**	182.7	182.7
Effect of dilution – share options	**1.1**	0.6	0.5
Diluted weighted average number of ordinary shares	**184.1**	183.3	183.2

From continuing and discontinued operations
The profits used for the earnings per share calculations are as follows:

	6 months to 30 August 2018 £m	6 months to 31 August 2017 £m	Year to 1 March 2018 £m
Profit for the period attributable to parent shareholders	**251.1**	251.6	438.0
Non-underlying items- gross	**9.9**	11.6	42.3
Non-underlying items – taxation	**(0.2)**	(0.3)	(4.7)
Non-underlying items – non-controlling interest	**-**	(0.3)	(0.3)
Underlying profit for the period attributable to parent shareholders	**260.8**	262.6	475.3

	6 months to 30 August 2018 pence	6 months to 31 August 2017 pence	Year to 1 March 2018 Pence
Basic EPS on profit for the period	**137.21**	137.71	239.74
Non-underlying items – gross	**5.41**	6.35	23.15
Non-underlying items – taxation	**(0.11)**	(0.16)	(2.57)
Non-underlying items – non-controlling interest	**-**	(0.16)	(0.16)
Basic EPS on underlying profit for the period	**142.51**	143.74	260.16
Diluted EPS on profit for the period	**136.39**	137.26	239.08
Diluted EPS on underlying profit for the period	**141.66**	143.26	259.44

From continuing operations
The profits used for the earnings per share calculations are as follows:

	6 months to 30 August 2018 £m	6 months to 31 August 2017 £m	Year to 1 March 2018 £m
Profit for the period attributable to parent shareholders	**251.1**	251.6	438.0
Profit from discontinued operations	**(47.0)**	(46.8)	(94.5)
Profit for the period from continuing operations attributable to parent shareholders	**204.1**	204.8	343.5
Non-underlying items- gross	**12.2**	6.3	6.1
Non-underlying items – taxation	**(0.1)**	(0.3)	(1.2)
Underlying profit for the period attributable to parent shareholders	**216.2**	210.8	348.4

	6 months to 30 August 2018 pence	6 months to 31 August 2017 pence	Year to 1 March 2018 Pence
Basic EPS on profit for the period from continuing operations	**111.53**	112.10	188.01
Non-underlying items- gross	**6.67**	3.45	3.34
Non-underlying items – taxation	**(0.05)**	(0.16)	(0.66)
Basic EPS on underlying profit for the period from continuing operations	**118.15**	115.39	190.69
Diluted EPS on profit for the period	**110.86**	111.73	187.50
Diluted EPS on underlying profit for the period	**117.44**	115.00	190.17

7. Dividends paid

	6 months to 30 August 2018 pence per share	6 months to 30 August 2018 £m	6 months to 31 August 2017 pence per share	6 months to 31 August 2017 £m	Year to 1 March 2018 pence per share	Year to 1 March 2018 £m
Equity dividends on ordinary shares:						
Final dividend for prior year	**69.75**	**127.6**	65.90	120.3	65.90	120.3
Interim dividend for the year		**-**		-	31.40	57.3
		127.6		120.3		177.6
Dividends on other shares:						
B share dividend		**-**		-	0.50	-
C share dividend		**-**		-	0.60	-
		-		-		-
Total dividends paid		**127.6**		120.3		177.6

An interim dividend of 32.65p per share (2017: 31.40p) amounting to a dividend of £59.7m (2017: £57.3m) was declared by the directors on 22 October 2018. A dividend reinvestment plan (DRIP) alternative will be offered. These consolidated financial statements do not reflect this dividend payable.

8. Movements in cash and net debt

	1 March 2018 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	**30 August 2018 £m**
Cash at bank and in hand	29.2						**69.4**
Short-term deposits	61.4						**25.0**
Overdrafts	-						**-**
Cash and cash equivalents	90.6	**-**	**4.3**	**(0.5)**	**-**	**-**	**94.4**
Short-term bank borrowings	-	**-**	**-**	**-**	**-**	**-**	**-**
Loan capital under one year	(108.9)						**(103.1)**
Loan capital over one year	(814.5)						**(871.8)**
Total loan capital	**(923.4)**	**-**	**(39.7)**	**(8.3)**	**(2.7)**	**(0.8)**	**(974.9)**
Net debt	**(832.8)**	**-**	**(35.4)**	**(8.8)**	**(2.7)**	**(0.8)**	**(880.5)**
Analysed as follows:							
Continuing operations	**(831.5)**	**-**	**(117.6)**	**(8.7)**	**(2.7)**	**(0.8)**	**(961.3)**
Discontinued operations	**(1.3)**	**-**	**82.2**	**(0.1)**	**-**	**-**	**80.8**

Net debt includes US$ denominated loan notes of US$285.0m (March 2018: US$285.0m) retranslated at period end to £218.8m (March 2018: £208.2m). These notes have been hedged using cross-currency swaps. At maturity, £181.6m (March 2018: £181.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £842.4m (March 2018: £806.0m).

9. Financial instruments

The Group entered into a number of cross-currency swap agreements in relation to the US$ denominated loan notes to eliminate any foreign currency exchange risk on interests or on the repayment of principal borrowed.

IFRS 13 requires that the classification of financial instruments measured at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

> **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
>
> **Level 2** – Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and
>
> **Level 3** - Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

The fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date:

	30 August 2018 £m	31 August 2017 £m	1 March 2018 £m
Financial assets			
Derivative financial instruments – level 2	**35.1**	39.2	21.7
Financial liabilities			
Derivative financial instruments – level 2	**6.6**	10.0	7.9

There were no transfers between levels during any period disclosed.

10. Pension liability

During the six month period to 30 August 2018, the pension liability has decreased from £288.6m to £161.5m. The main movements in the deficit are as follows:

		£m
Pension liability at 1 March 2018		288.6
Re-measurement due to:		
Changes in financial assumptions	(44.3)	
Experience adjustments	1.1	
Return on plan assets greater than discount rate	(43.3)	
		(86.5)
Contributions from employer		**(45.7)**
Net interest on pension liability		**3.4**
Administrative expenses		**1.7**
Pension liability at 30 August 2018		**161.5**

The deficit has decreased by £127.1m from 1 March 2018 driven by deficit contributions of £45.7m and actual returns on assets being higher than the discount rate.

11. Related party disclosure

In note 30 to the Annual Report and Accounts for the year ended 1 March 2018, the Group identified its related parties as its key management personnel (including directors), the Group pension schemes and its joint ventures for the purpose of IAS 24 'Related Party Disclosure'. There have been no significant changes in those related parties identified at the year end and there have been no transactions with those related parties during the six months to 30 August 2018 that have materially affected, or are expected to materially affect, the financial position or performance of the Group during this period. Details of the relevant relationships with those related parties will be disclosed in the Annual Report and Accounts for the year ending 28 February 2019. All transactions with subsidiaries are eliminated on consolidation.

12. Capital expenditure commitments

Capital expenditure commitments for which no provision has been made are set out in the table below:

	30 August 2018 £m	31 August 2017 £m	1 March 2018 £m
Property, plant and equipment	**136.1**	208.0	130.9
Intangible assets	**11.9**	5.5	5.5

13. Events after the balance sheet date

On 31 August 2018, the Group entered into a formal sale agreement to dispose of Costa Limited and related subsidiaries (collectively referred to as 'Costa'). The Group's shareholders approved the sale on 10 October 2018. Refer to note 5 for full details of the transaction.

Independent review report to Whitbread PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 August 2018 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 August 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
22 October 2018

Glossary

Accommodation sales
Premier Inn accommodation revenue excluding non-room income such as food and beverage.

Average room rate (ARR)†
Accommodation revenue divided by the number of rooms occupied by guests.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Capitalised leases
The treatment of leases as an asset for the purposes of calculating Whitbread's leverage ratio. Calculated as multiplying the annual property rent cost by 8x in line with external credit rating agency assessments of the lodging industry.

Direct bookings
Bookings made direct to the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

Direct digital
Bookings made direct to the Premier Inn website and Premier Inn app based on stayed bookings in the financial year, based on stayed bookings in the financial year.

Discretionary free cash flow†
Cash generated from operations after payments for interest, tax and maintenance capital. New measure used to demonstrate the conversion of underlying operating profit into cash before considering discretionary cash flows.
Closest IFRS measure: Cash generated from operations
Reconciliation: Financial review

Earnings per share (EPS)
Profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust ('ESOT').

EBITDA†
Underlying earnings before interest, tax, depreciation and amortisation, excluding income from Joint Ventures and Associates.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

EBITDAR†
Underlying earnings before interest, tax, depreciation, amortisation and rent, excluding income from Joint Ventures and Associates.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Fixed charge cover†
Ratio of underlying operating profit before total property rent compared to interest plus total property rent. New measure used to demonstrate the Group's ability to meet its fixed operating costs.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Food and beverage (F&B) sales
Food and beverage revenue from all Whitbread owned pub restaurants and integrated hotel restaurants.

IFRS
International Financial Reporting Standards.

Like-for-like sales†
Period over period change in revenue for outlets open for at least one year. Redefined to reflect wider industry practice. Comparatives have been presented using the revised definition.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Net debt†
Total company borrowings after deducting cash and cash equivalents.
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Note 8

Occupancy
Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period.

Operating margin/margins
Operating profit expressed as a percentage of total revenue.

Operating profit
Profit before interest and tax.

Profit from operations
Profit before central costs, interest and tax

RevPAR†
Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the ARR by Occupancy.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Return on Capital†
Underlying operating profit for the year divided by net assets at the balance sheet date, adding back debt, taxation liabilities, the pension deficit and derivative financial assets and liabilities.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Underlying basic EPS†
Underlying profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares.
Closest IFRS measure: Basic EPS
Reconciliation: Note 6

Underlying net finance cost†
Finance costs net of finance revenue excluding non-underlying finance costs or revenue.
Closest IFRS measure: Net finance costs
Reconciliation: Note 4

Underlying operating profit†
Operating profit before non-underlying operating costs.
Closest IFRS measure: Operating profit
Reconciliation: Refer below

Underlying profit before tax†
Profit before tax before non-underlying items.
Closest IFRS measure: Profit before tax
Reconciliation: Consolidated income statement

Underlying tax†
Tax expense excluding non-underlying tax items.
Closest IFRS measure: Tax Expense
Reconciliation: Consolidated income statement

†Alternative Performance Measures
We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses. APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

The Group uses a moving annual total (MAT i.e. a rolling 12 month period) for income and expense figures included in EBITDA, EBITDAR, Return on capital and Fixed charge cover APMs. As the incomes and expenses included in these measures are calculated on an MAT basis, the amounts for the 12 months to 30 August 2018 and 31 August 2017 are not disclosed in the notes to the condensed consolidated interim financial statements for the current financial period.

Reconciliations of APMs

Continuing and discontinued operations

Underlying operating profit	**6 months to 30 August 2018**	6 months to 31 August 2017	Year to 1 March 2018
Operating profit	337.1	336.0	589.8
Non-underlying operating costs	6.5	6.4	32.3
Underlying operating profit	**343.6**	**342.4**	**622.1**

Underlying operating profit	**12 months to 30 August 2018**	12 months to 31 August 2017	Year to 1 March 2018
Operating profit	590.9	607.0	589.8
Non-underlying operating costs	32.4	8.1	32.3
Underlying operating profit	**623.3**	**615.1**	**622.1**

EBITDA and EBITDAR	12 months to 30 August 2018	12 months to 31 August 2017	Year to 1 March 2018
Underlying operating profit	623.3	615.1	622.1
Depreciation – underlying	209.3	208.9	208.7
Amortisation – underlying	25.7	17.3	21.2
EBITDA	**858.3**	**841.3**	**852.0**
Total property rent	293.1	270.0	282.1
EBITDAR	**1,151,4**	**1,111.3**	**1,134.1**

Return on Capital	12 months to 30 August 2018	12 months to 31 August 2017	Year to 1 March 2018
Net assets	3,015.4	2,681.7	2,802.5
Net debt	880.5	852.4	832.8
Current tax liabilities	57.1	53.6	44.8
Deferred tax liabilities	109.4	72.6	82.4
Pension deficit	161.5	374.5	288.6
Derivative financial assets	(35.1)	(39.2)	(21.7)
Derivative financial liabilities	6.6	10.0	7.9
Net assets for return on capital	**4,195.4**	**4,005.6**	**4,037.3**
Return on capital	**14.9%**	**15.4%**	**15.4%**

Fixed charge cover	12 months to 30 August 2018	12 months to 31 August 2017	Year to 1 March 2018
Underlying operating profit	623.3	615.1	622.1
Total property rent	293.1	270.0	282.1
Underlying operating profit before rent	**916.4**	**885.1**	**904.2**
Underlying interest	33.3	29.3	31.4
Total property rent	293.1	270.0	282.1
Underlying interest plus rent	**326.4**	**299.3**	**313.5**
Fixed charge cover	**2.8**	**3.0**	**2.9**

Continuing operations

Underlying operating profit	6 months to 30 August 2018	6 months to 31 August 2017	Year to 1 March 2018
Operating profit	276.9	276.5	467.2
Non-underlying operating costs	8.8	1.1	(3.9)
Underlying operating profit	**285.7**	**277.6**	**463.3**

Underlying operating profit	12 months to 30 August 2018	12 months to 31 August 2017	Year to 1 March 2018
Operating profit	**467.6**	**483.2**	**467.2**
Non-underlying operating costs	**3.8**	**(26.3)**	**(3.9)**
Underlying operating profit	**471.4**	**456.9**	**463.3**

Return on Capital	12 months to 30 August 2018	12 months to 31 August 2017	Year to 1 March 2018
Net assets	2,590.2	2,318.1	2,492.4
Net debt	961.3	856.8	831.3
Current tax liabilities	9.9	18.8	11.1
Deferred tax liabilities	116.6	76.8	89.0
Pension deficit	161.5	374.5	288.6
Derivative financial assets	(34.2)	(38.7)	(21.6)
Derivative financial liabilities	6.6	9.8	7.5
Net assets for return on capital	**3,811.9**	**3,616.1**	**3,698.3**
Return on capital	**12.4%**	**12.6%**	**12.5%**